



Meeting Minutes

Milwaukee County
Retirement Sustainability Taskforce (RST)
December 12, 2017, 2:30 PM
Milwaukee Area Technical College Room M616
700 W State Street Milwaukee WI 53233

Members Present:

Norb Gedemer, Ralph Hollmon, Waylon Hurlburt, Scott Manske, Jodi Mapp, Tom Meaux, Kerry Mitchell, Ron Nelson, Sup. David Sartori, Tim Sheehy, Julie Siegel, Tim Sheehy (arrived late due to prior meeting), Greg Smith (via phone), Sup. Sheldon Wasserman, Teig Whaley-Smith, Raisa Koltun (on behalf of Chris Abele)

Meeting called to order at: 2:35pm

Rob Henken introduces David Draine (Pew Charitable Trusts)

Item 1 Presentation by David Draine: Benefit Design Options

Full presentation available at <http://county.milwaukee.gov/RST>

Item 2 Presentation by Rob Henken, PPF: Potential Criteria for Reviewing Redesign Options

Full presentation available at <http://county.milwaukee.gov/RST>

Questions/Discussion:

Q: Clarification on PPF receiving payment from the county. Is 25k the full amount for the entire study?

A: Yes

Q: How is Pew paying for its travel from the East Coast?

A: Pew is covering its own costs. There will be a point where we need a deeper dive on actuarial calculations that goes beyond Pew. We likely will need to pay for actuary services at that time.

Q: Is there a public sector model similar to 401k?

A: Yes. The ones we have seen are based on percent of salary. Core benefits are aimed at a level share of the payroll.

Q: (In reference to Item 1 slides) The options we are examining pertain only to future benefits?

A: Yes. We will talk about current employees going forward, but accrued benefits are already accrued. As an example, for a 15-year employee at the county: their 15 years of benefits earned already are accumulated. The question is what benefits do they get for year 16 and onward? Options are a soft freeze (only new employees are on the new plan) or a hard freeze (all employees are on the new plan for future years of service). We will compare these options apples to apples.

Q: Might there be a scenario where County employees will be required to pay more through their annual contributions than what they're getting as a benefit from the plan?

A: Yes, under the current plan it is possible and it obviously would not make sense. There also is a broader intergenerational equity issue when we think about future levels of employee contributions in that new workers will be paying costs associated with those who have long ago retired. Once people figure that out they won't want to work for the County.

Q: Does it make sense to consider options that might be attractive to short-term workers given that millennials tend not to stick around in jobs very long?

A: After considerable discussion about how different benefit strategies might impact retention of older workers vs. recruitment of new employees, it was decided to break down the evaluation criterion on "recruitment of employees" in Item 2 into two distinct criteria addressing both recruitment and retention. It was pointed out that retention and recruitment may work against one another and that there is a need to understand which is a bigger issue for the County.

Q: If the assumed rate of return is lower, then the County still has to find a way to make it up. Can we lower the rate for any employees and not have that gap to make up?

A: Through risk-sharing. Defined benefits can never go down, but goes up for COLA. You still owe employees if the investments don't do as well. The risk is on the employer. Employees can take risk in other types. WRS doesn't guarantee COLA. You can't give different groups different returns, but you can do risk sharing or mitigation (employer vs. employee).

Q: Why does the employer contribution plummet in 2035?

A: That's when the unfunded liability will be eliminated (per actuarial projections and assumptions) and, coincidentally, when the pension obligation bonds will be paid off. After 2035, the employer contribution would be based only on the normal cost.

Q: Intergenerational equity is sort of woven through the criteria, but not explicitly mentioned. Should it be?

A: After considerable discussion, consensus emerged to add this as an evaluation criterion.

Q: Would younger workers want 401k instead of pensions?

A: We will split the retention and recruitment criteria, try to get data on what is preferred.

Q: We talked about employee risk and employer risk, but what about taxpayer risk?

A: After considerable discussion, it was decided that the criterion on employer contribution should explicitly state the impact on county bottom line and taxpayers (separate from employer risk).

Q: Should we consider just the WRS and defined contribution options or should hybrids also be considered?

Consensus:

Will look at WRS in January, Defined Contribution in February, and, if decided on, hybrid plans in March.

Adjourned at 4:31pm